

Message Text

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TO AMEMBASSY ASUNCION IMMEDIATE

C O N F I D E N T I A L STATE 203286

E.O. 11652: GDS

TAGS: MASS, PA

SUBJECT: FMS AND PARAGUAY

REF: ASUNCION 3197 AND PREVIOUS

1. DEPARTMENT REGRETS CONFUSION AND HOPES FOLLOWING WILL CLARIFY PROBLEMS AND PERMIT EMBASSY TO WEIGH IN ON THEM.
2. PARAGUAYAN ATTENDANCE AT NAVAL COMMAND COURSE.
DECISION TO CANCEL PARAGUAYAN NAVAL OFFICER'S ATTENDANCE AT NAVAL WAR COLLEGE COMMAND COURSE WAS MADE IN EARLY JUNE IN MOVE TIED DIRECTLY TO GOP RELUCTANCE TO INVITE IAHC VISIT AFTER STROESSNER HAD INDICATED IAHC WOULD BE INVITED. DEPARTMENT NOTIFIED DOD AND SUBSEQUENTLY DISCUSSED CANCELLATION WITH MILGRP COMMANDER, BUT NOT UNTIL STATE 193921
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WAS CANCELLATION CONFIRMED TO POST BY CABLE. AFTER THESE EVENTS HAD TRANSPIRED, POST REPORTING ON IMPROVEMENTS IN PARAGUAY (REDUCTION IN NUMBER OF POLITICAL PRISONERS AND IMPROVEMENT IN PRESS FREEDOM) SUGGESTED POSSIBLE APPROPRIATENESS OF RESTORING NAVAL OFFICER SCHOOL; LAINO AFFAIR, HOWEVER, MADE RESTORATION IMPOSSIBLE. THERE IS ANOTHER COMMAND COURSE AVAILABLE IN JANUARY. DEPARTMENT WOULD

APPRECIATE EMBASSY'S THOUGHTS ON ADVISABILITY OF OFFERING JANUARY COURSE TO SAME OR OTHER NAVAL OFFICER. SCHOOL

COULD BE PAID FOR OUT OF IMET, OR GOP COULD PAY WITH FMS CASH. (NAVY MAY CONSIDER OFFERING ADDITIONL BILLET FOR PARAGUAYANS AT JANUARY COURSE.)

3. ALLEGED "FREEZE" ON FY 76 FMS. THERE IS NO "FREEZE" ON FY 76 FMS. DSAA INFORMED DEPARTMENT THAT PARAGUAY DREW DOWN ONLY DOLLARS 400,000 OF FY 76 FMS LOAN BEFORE EXPIRATION ON DECEMBER 31, 1977. RATHER THAN REQUEST THE USUAL EXTENSION, DSAA STATES THAT PARAGUAYAN ARMY OFFICER ASSIGNED TO THEIR EMBASSY HERE DECLINED TO REQUEST EXTENSION ON ALLEGATION THAT GOP WOULDN'T BE ALLOWED TO USE REMAINING DOLLARS 100,000 ANYWAY. NOW, DSAA SAYS, GOP OBJECTS TO DOLLARS 50,000 PAYMENT (BASED ON FULL CREDIT OF DOLLARS 500,000 AND WISHES TO PAY INSTALLMENT OF ONLY APPROXIMATELY DOLLARS 45,000 -- MORE REFLECTIVE OF DIMINISHED SUM THEY USED. DSAA JUST INFORMED DEPARTMENT PARAGUAYAN EMBASSY WILL DISCUSS CASE WITH DSAA AUGUST 10 WITH INTENT OF PRESSING THEIR CASE ON SMALLER INSTALLMENT. GOP, HOWEVER, SHOULD BE ENCOURAGED TO PAY UNPAID BALANCE OF INSTALLMENT DUE JULY 31 (SEE SEC. DEF./ASD:ISA 050006Z AUGUST, UNCLASS 2911) TO AVOID ACCRUING LATE CHARGES OR ENCOUNTERING OTHER PENALTIES: INCLUDING STOPPAGE OF CONFIDENTIAL

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OTHER FMS PROCESSES, NOTIFICATION TO CONGRESS, ETC. THE PARAGUAYAN PIPELINE IS FLOWING UNIMPEDED AS FAR AS DEPARTMENT KNOWS AND THERE ARE NO NEW FY 76 FMS CREDITS CASES UNDER CONSIDERATION. IF EMBASSY IS AWARE OF ANY CASES NOT MOVING FORWARD, WE WOULD APPRECIATE HEARING ABOUT THEM.

4. FMS CASH PURCHASES AND MUNITIONS CONTROL ITEMS. DEPARTMENT IS PRESENTLY REVIEWING 8 FMS CASH PURCHASE CASES. THEY INCLUDE: SPARES FOR HELICOPTER; P AND A DATA REQUESTS FOR OVERHAUL OF A/C ENGINE, CATERPILLAR TRACTOR AND MOTOR GRADER AND ASSORTED CLOTHING AND COMPASSES; AND MILITARY EXCESS "OFFERS" FOR 5 TRACTORS AND 1 GENERATOR. ITEMS IN THIS LIST FOR P AND A OR "OFFERS" CARRY IMPLICIT ASSUMPTION THAT GOP MAY WISH TO PURCHASE SOME OR ALL OF THEM WITH FMS CASH. WE ARE INCLINED TO PROCEED WITH HELICOPTER SPARES AND P AND A DATA BUT WOULD APPRECIATE EMBASSY'S THOUGHTS FIRST. DEPARTMENT ALSO HAS ONE LONGSTANDING MUNITIONS CONTROL CASE FOR AMMO FOR PARAGUAYAN POLICE WHICH WILL BE DENIED ON PD 30 GROUNDS.

5. FY 80 FMS. WHEN BUREAU WAS CONSIDERING SIZE AND
SCOPE OF FMS PROPOSAL FOR FY 80, ARA DROPPED PARAGUAY
AFTER DROPPING SIMILAR REGIMES LIKE NICARAGUA. THERE

CAN STILL BE SOME FLEXIBILITY FOR FUTURE ADJUSTMENT, E.G.,
THROUGH REPROGRAMMING FUNDS TO RESPOND TO IMPROVING
CONDITIONS. VANCE

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